

STATEMENT OF PURPOSE

RS29636 / H0714

Last year HB276 was passed to clarify that bonus depreciation taken on a federal income tax return but not allowed on a state return does not create income under Idaho law. That legislation was effective as of January 1, 2021. Because that was a clarification of existing law it was expected to apply to all cases – both those arising before and after January 1, 2021. Unfortunately, it has not been applied that way by the Tax Commission, which continues to conduct audits and assess taxes under its view of the “old” law for taxes due before January 1, 2021. This legislation reaffirms the policy enacted last year and removes ambiguities some suggest were contained in HB276. It is retroactive to apply to all taxpayers who have filed returns consistent with this policy.

FISCAL NOTE

The Tax Commission does not have data that allows the cost of this legislation to be calculated. It says this is uncommon but does arise occasionally. Based on the number of audits in which members of the Idaho Society of CPAs have encountered this unfair and unintended result, it is believed the fiscal cost of this legislation will be less than \$400,000 to the state general fund.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).